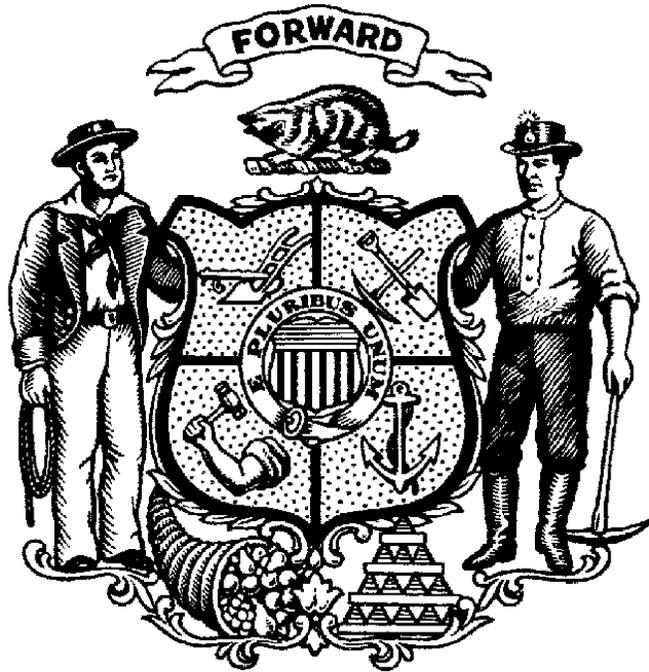


# State of Wisconsin

## Department of Financial Institutions



Agency Budget Request  
2013 – 2015 Biennium  
September 17, 2012

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**State of Wisconsin**  
*Department of Financial Institutions*

Scott Walker, Governor

Peter Bildsten, Secretary

September 17, 2012

The Honorable Governor Scott Walker  
115 East, State Capitol  
Madison, WI 53707

Dear Governor Walker:

I am pleased to submit the 2013-15 Biennial Budget Request for the Department of Financial Institutions and the Office of Credit Unions. As has been the case with past Biennial Budget submissions, DFI's request requires no general fund resources.

DFI's budget submittal does include requests for additional resources that will help the Department fulfill its mission of protecting the safety and soundness of state-chartered financial institutions. The proposed DFI budget requests the authorization to add:

- Two examiner positions for the Division of Banking.
- Two examiner positions for the Office of Credit Unions.

The banking and credit union industries are becoming increasingly complex and are facing continued challenges as they respond to the economic turmoil that arose in the recent recession. The addition of the requested positions will allow the Division of Banking and the Office of Credit Unions to meet their examination schedules that are required by state statute. By working to ensure that Wisconsin's financial institutions are sound, DFI is having a direct impact on the progress your administration is making toward growing the state's economy.

Other items of note in the DFI budget proposal are:

- Requests to transfer oversight of Charitable Organizations and Related Entities, along with oversight of Professional Employer Organizations and Groups, to DFI as requested by DSPS.
- Requests to add efficiency to our Division of Corporate and Consumer Services by streamlining the notification process for administrative dissolution of corporations and LLCs, and by aligning the reporting and notification requirements for nonstock and not-for-profit companies with those of business corporations and LLCs.

Sincerely,

Peter Bildsten  
Secretary

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*Office of the Secretary*

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v3.

## **AGENCY DESCRIPTION**

The department is headed by a secretary who is appointed by the Governor with the advice and consent of the Senate. The department operates with four regulatory and licensing divisions, and is supported by the Division of Administrative Services and Technology. The Office of Credit Unions is attached to the department for administrative purposes. The department's functions include the regulation and examination of state-chartered depository institutions, licensing of other financial service providers, registration of securities offerings, issuance of notary public commissions, registration of trademarks, and support and maintenance of the state's central business registration and uniform commercial code filing systems. In addition, the secretary is the administrator of the Wisconsin Consumer Act, governing consumer transactions under \$25,000.

## **MISSION**

The department's mission is to ensure the safety and soundness of state-chartered financial institutions, to protect consumers of financial services, and to facilitate economic growth.

## **PROGRAMS, GOALS, OBJECTIVES AND ACTIVITIES**

### **Program 1: Supervision of Financial Institutions, Securities Regulation and Other Functions**

Goal: Assure the safety and soundness of the state's banking industry.

Objective/Activity: Examine state banks and savings institutions for compliance with laws and any issues related to the condition of the financial institutions within established time frames. All banks are to be examined at least every 18 months, with more frequent examinations of larger, more complex institutions. The banking division has entered into alternating examination agreements with the Federal Deposit Insurance Corporation and the Federal Reserve, so approximately 40 percent of all banks should be examined by the department in each calendar year in order to meet that standard.

Goal: Protect the consumers of financial services.

Objective/Activity: Address abuses and violations of rules and statutes through expedient resolution of consumer complaints by the Bureau of Consumer Affairs.

Goal: Facilitate economic growth.

Objective/Activity: Process new business filings timely to support new business activity.

Goal: Ensure the safety and soundness of the state's credit unions.

Objective/Activity: Maintain cycle of examinations as required. Most credit unions are to be examined every 18 months. Credit unions identified as needing additional supervision are to be examined every 12 months.

**PERFORMANCE MEASURES**

**2011 AND 2012 GOALS AND ACTUALS**

<b>Prog. No.</b>	<b>Performance Measure</b>	<b>Goal 2011</b>	<b>Actual 2011</b>	<b>Goal 2012</b>	<b>Actual 2012</b>
1	Percentage of banks examined each year. <sup>(1)(2)</sup>				
	Number of banks	223	221 <sup>(3)</sup>	220	N/A
	Bank exams due	87	87	87	
	Number of exams	87	98	87	
	Percentage examined in a year	100%	113%	100%	
1	Percentage of consumer complaints acted on within five days of receipt.	97%	100%	100%	100%
1	Percentage of charter document filings processed within five days.	100%	100%	100%	100%
1	Percentage of credit union exams conducted within examination cycle time frame.				
	Number of credit unions	225	203 <sup>(5)</sup>	215	N/A
	Credit union examinations due	155	155	145	
	Number of credit unions examined	130	101	130	
	Percentage examined	83%	65%	90%	

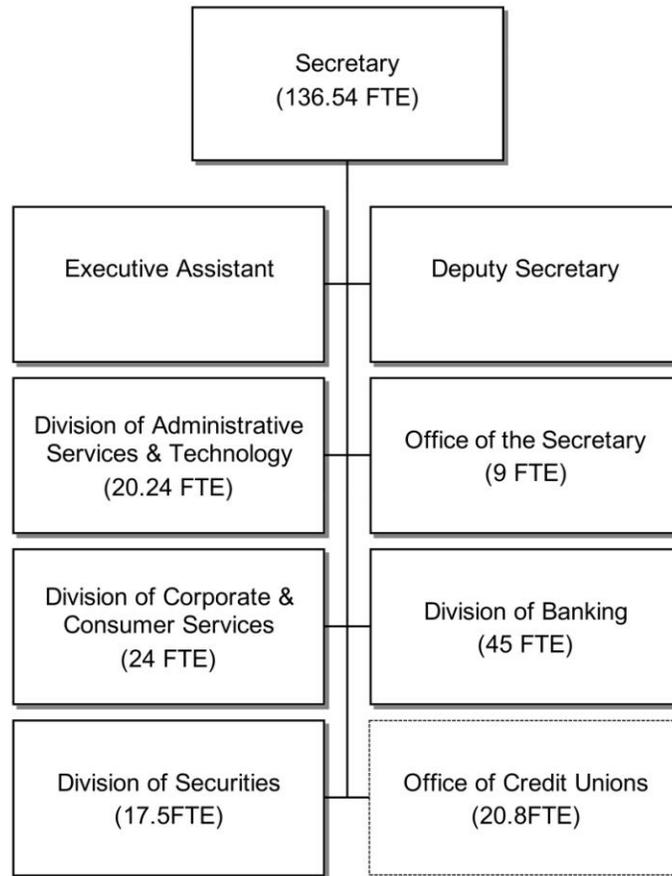
## 2013, 2014 AND 2015 GOALS

Prog. No.	Performance Measure	Goal 2013	Goal 2014	Goal 2015
1	Percentage of banks examined each year.  Number of banks Bank exams due Number of exams Percentage examined in a year	217 <sup>(4)</sup> 87 87 100%	213 <sup>(4)</sup> 85 85 100%	213 <sup>(4)</sup> 85 85 100%
1	Percentage of consumer complaints acted on within five days of receipt.	100%	100%	100%
1	Percentage of charter document filings processed within five days.	100%	100%	100%
1	Percentage of credit union exams conducted within examination cycle time frame.  Number of credit unions Credit union examinations due Number of credit unions examined Percentage examined	173 <sup>(6)</sup> 115 115 100%	158 <sup>(6)</sup> 105 105 100%	143 <sup>(6)</sup> 95 95 100%

### Notes:

- 1) Based on calendar year.
- 2) Bank exams are shared with the FDIC and conducted on an 18 month cycle.
- 3) Decrease in number of banks due to mergers, acquisitions, or closings.
- 4) Estimated number of banks as of calendar year-end.
- 5) Decrease in number of credit unions due to mergers.
- 6) Estimated number of credit unions as of calendar year-end.

## Department of Financial Institutions



# Agency Total by Fund Source

Department of Financial Institutions

1315 Biennial Budget

		ANNUAL SUMMARY					BIENNIAL SUMMARY				
Source of Funds		Prior Year Total	Adjusted Base	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE	Base Year Doubled (BYD)	Biennial Request	Change From (BYD)	Change From BYD %
PR	S	\$14,934,745	\$17,825,800	\$17,871,500	\$17,991,700	141.54	141.54	\$35,651,600	\$35,863,200	\$211,600	0.6%
<b>Total</b>		\$14,934,745	\$17,825,800	\$17,871,500	\$17,991,700	141.54	141.54	\$35,651,600	\$35,863,200	\$211,600	0.6%
<b>Grand Total</b>		\$14,934,745	\$17,825,800	\$17,871,500	\$17,991,700	141.54	141.54	\$35,651,600	\$35,863,200	\$211,600	0.6%

**Agency Total by Program**

144 Financial Institutions, Department of

1315 Biennial Budget

Source of Funds	ANNUAL SUMMARY						BIENNIAL SUMMARY			
	Prior Year Actual	Adjusted Base	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE	Base Year Doubled (BYD)	Biennial Request	Change From (BYD)	Change From BYD %
<b>01 SUPERVISION OF FINANCIAL INSTITUTIONS, SECURITIES REGULATION AND OTHER FUNCTIONS</b>										
Non Federal										
PR	\$0	\$17,825,800	\$17,871,500	\$17,991,700	141.54	141.54	\$35,651,600	\$35,863,200	\$211,600	0.59%
S	\$0	\$17,825,800	\$17,871,500	\$17,991,700	141.54	141.54	\$35,651,600	\$35,863,200	\$211,600	0.59%
<b>Total - Non Federal</b>	<b>\$0</b>	<b>\$17,825,800</b>	<b>\$17,871,500</b>	<b>\$17,991,700</b>	<b>141.54</b>	<b>141.54</b>	<b>\$35,651,600</b>	<b>\$35,863,200</b>	<b>\$211,600</b>	<b>0.59%</b>
S	\$0	\$17,825,800	\$17,871,500	\$17,991,700	141.54	141.54	\$35,651,600	\$35,863,200	\$211,600	0.59%
<b>PGM 01 Total</b>	<b>\$0</b>	<b>\$17,825,800</b>	<b>\$17,871,500</b>	<b>\$17,991,700</b>	<b>141.54</b>	<b>141.54</b>	<b>\$35,651,600</b>	<b>\$35,863,200</b>	<b>\$211,600</b>	<b>0.59%</b>
PR	\$0	\$17,825,800	\$17,871,500	\$17,991,700	141.54	141.54	\$35,651,600	\$35,863,200	\$211,600	0.59%
S	\$0	\$17,825,800	\$17,871,500	\$17,991,700	141.54	141.54	\$35,651,600	\$35,863,200	\$211,600	0.59%
<b>TOTAL 01</b>	<b>\$0</b>	<b>\$17,825,800</b>	<b>\$17,871,500</b>	<b>\$17,991,700</b>	<b>141.54</b>	<b>141.54</b>	<b>\$35,651,600</b>	<b>\$35,863,200</b>	<b>\$211,600</b>	<b>0.59%</b>
S	\$0	\$17,825,800	\$17,871,500	\$17,991,700	141.54	141.54	\$35,651,600	\$35,863,200	\$211,600	0.59%
<b>Agency Total</b>	<b>\$0</b>	<b>\$17,825,800</b>	<b>\$17,871,500</b>	<b>\$17,991,700</b>	<b>141.54</b>	<b>141.54</b>	<b>\$35,651,600</b>	<b>\$35,863,200</b>	<b>\$211,600</b>	<b>0.59%</b>

# Agency Total by Decision Item

Department of Financial Institutions

1315 Biennial Budget

Decision Item	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
2000 Adjusted Base Funding Level	\$17,825,800	\$17,825,800	136.54	136.54
3001 Turnover Reduction	(\$243,600)	(\$243,600)	0.00	0.00
3003 Full Funding of Continuing Position Salaries and Fringe Benefits	(\$33,300)	(\$33,300)	0.00	0.00
3010 Full Funding of Lease and Directed Moves Costs	\$28,900	\$52,700	0.00	0.00
4001 Bank Examination Resources	\$117,000	\$158,600	2.00	2.00
4002 Credit Union Examination Resources	\$117,000	\$158,600	2.00	2.00
4003 Transfer Oversight of Charitable Organizations and Related Entities from DSPS to DFI	\$59,700	\$72,900	1.00	1.00
4004 Transfer Oversight of Professional Employer Organizations DSPS to DFI	\$0	\$0	0.00	0.00
4005 Corporations Efficiencies	\$0	\$0	0.00	0.00
<b>TOTAL</b>	<b>\$17,871,500</b>	<b>\$17,991,700</b>	<b>141.54</b>	<b>141.54</b>

# GPR Earned

1315 Biennial Budget

	CODES	TITLES
DEPARTMENT	144	Department of Financial Institutions
PROGRAM	01	Supervision of financial institutions, securities regulation and other
DATE	August 28, 2012	

Revenue	Prior Year Actuals	Base Year Estimate	1st Year Estimate	2nd Year Estimate
Opening Balance	\$68,619,400	\$65,151,400	\$64,860,000	\$64,870,900
<b>Total</b>	<b>\$68,619,400</b>	<b>\$65,151,400</b>	<b>\$64,860,000</b>	<b>\$64,870,900</b>

# Program Revenue

1315 Biennial Budget

	CODES	TITLES
DEPARTMENT	144	Department of Financial Institutions
PROGRAM	01	Supervision of financial institutions, securities regulation and other
SUBPROGRAM		
NUMERIC APPROPRIATION	21	Investor education and training fund

Revenue and Expenditures	Prior Year Actuals	Base Year Estimate	1st Year Estimate	2nd Year Estimate
<b>Opening Balance</b>	<b>\$66,900</b>	<b>\$62,800</b>	<b>\$48,300</b>	<b>\$33,800</b>
Assessments	\$0	\$70,000	\$70,000	\$70,000
Act 32 Lapse	(\$4,100)	\$0	\$0	\$0
<b>Total Revenue</b>	<b>\$62,800</b>	<b>\$132,800</b>	<b>\$118,300</b>	<b>\$103,800</b>
<b>Expenditures</b>	<b>\$0</b>	<b>\$84,500</b>	<b>\$0</b>	<b>\$0</b>
2000 Adjusted Base Funding Level	\$0	\$0	\$84,500	\$84,500
	\$0	\$0	\$0	\$0
<b>Total Expenditures</b>	<b>\$0</b>	<b>\$84,500</b>	<b>\$84,500</b>	<b>\$84,500</b>
<b>Closing Balance</b>	<b>\$62,800</b>	<b>\$48,300</b>	<b>\$33,800</b>	<b>\$19,300</b>

# Program Revenue

1315 Biennial Budget

	CODES	TITLES
DEPARTMENT	144	Department of Financial Institutions
PROGRAM	01	Supervision of financial institutions, securities regulation and other
SUBPROGRAM		
NUMERIC APPROPRIATION	23	Payday loan database and financial literacy

Revenue and Expenditures	Prior Year Actuals	Base Year Estimate	1st Year Estimate	2nd Year Estimate
<b>Opening Balance</b>	<b>\$23,500</b>	<b>\$88,400</b>	<b>\$88,400</b>	<b>\$88,400</b>
Database Fee	\$219,600	\$900,000	\$900,000	\$900,000
Act 32 Lapse	(\$25,000)	\$0	\$0	\$0
<b>Total Revenue</b>	<b>\$218,100</b>	<b>\$988,400</b>	<b>\$988,400</b>	<b>\$988,400</b>
<b>Expenditures</b>	<b>\$129,700</b>	<b>\$900,000</b>	<b>\$0</b>	<b>\$0</b>
2000 Adjusted Base Funding Level	\$0	\$0	\$900,000	\$900,000
<b>Total Expenditures</b>	<b>\$129,700</b>	<b>\$900,000</b>	<b>\$900,000</b>	<b>\$900,000</b>
<b>Closing Balance</b>	<b>\$88,400</b>	<b>\$88,400</b>	<b>\$88,400</b>	<b>\$88,400</b>

# Program Revenue

1315 Biennial Budget

	CODES	TITLES
DEPARTMENT	144	Department of Financial Institutions
PROGRAM	01	Supervision of financial institutions, securities regulation and other
SUBPROGRAM		
NUMERIC APPROPRIATION	29	Gifts, grants, settlements and publications

Revenue and Expenditures	Prior Year Actuals	Base Year Estimate	1st Year Estimate	2nd Year Estimate
<b>Opening Balance</b>	<b>\$4,982,000</b>	<b>\$4,607,000</b>	<b>\$4,107,000</b>	<b>\$3,607,000</b>
Program Revenues	\$309,600	\$58,500	\$58,500	\$58,500
Act 32 Lapse	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)
<b>Total Revenue</b>	<b>\$4,791,600</b>	<b>\$4,165,500</b>	<b>\$3,665,500</b>	<b>\$3,165,500</b>
<b>Expenditures</b>	<b>\$184,600</b>	<b>\$58,500</b>	<b>\$0</b>	<b>\$0</b>
2000 Adjusted Base Funding Level	\$0	\$0	\$58,500	\$58,500
<b>Total Expenditures</b>	<b>\$184,600</b>	<b>\$58,500</b>	<b>\$58,500</b>	<b>\$58,500</b>
<b>Closing Balance</b>	<b>\$4,607,000</b>	<b>\$4,107,000</b>	<b>\$3,607,000</b>	<b>\$3,107,000</b>

# Program Revenue

1315 Biennial Budget

	CODES	TITLES
DEPARTMENT	144	Department of Financial Institutions
PROGRAM	01	Supervision of financial institutions, securities regulation and other
SUBPROGRAM		
NUMERIC APPROPRIATION	31	General program operations

Revenue and Expenditures	Prior Year Actuals	Base Year Estimate	1st Year Estimate	2nd Year Estimate
<b>Opening Balance</b>	<b>\$5,400</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
DIN 4001	\$0	\$0	\$133,000	\$180,200
DIN 4002	\$0	\$0	\$133,000	\$180,200
DIN 4003	\$0	\$0	\$0	\$366,800
DIN 4004	\$0	\$0	\$0	\$8,900
Act 32 Lapse	(\$2,423,400)	(\$1,934,400)	(\$1,934,400)	(\$1,934,400)
Corporation Fees	\$19,645,500	\$19,000,000	\$19,000,000	\$19,000,000
Credit Union Exams & Assessments	\$2,943,500	\$3,275,000	\$3,280,000	\$3,290,000
Other Fees	\$489,500	\$489,500	\$489,500	\$489,500
Securities Licenses & Fees	\$48,298,000	\$48,000,000	\$48,000,000	\$48,000,000
Transfer to General Fund	(\$65,482,200)	(\$62,717,000)	(\$62,425,600)	(\$62,436,500)
UCC, Notary & Trademarks	\$1,897,200	\$1,850,000	\$1,850,000	\$1,850,000
Bank Exams, Assessments & Applications	\$4,575,700	\$4,108,500	\$4,120,000	\$4,130,000
Transfer to Apprn 20.575(1)(g)	(\$325,000)	(\$325,000)	(\$325,000)	(\$325,000)
Licensed Financial Services License & Fees	\$3,375,800	\$3,260,000	\$3,220,000	\$3,170,000

Mortgage Banking Fees	\$1,620,400	\$1,600,000	\$1,600,000	\$1,600,000
<b>Total Revenue</b>	<b>\$14,620,400</b>	<b>\$16,606,600</b>	<b>\$17,140,500</b>	<b>\$17,569,700</b>
<b>Expenditures</b>	<b>\$14,620,400</b>	<b>\$16,606,600</b>	<b>\$0</b>	<b>\$0</b>
3010 Full Funding of Lease and Directed Moves Costs	\$0	\$0	\$28,900	\$52,700
Compensation Reserve	\$0	\$0	\$185,000	\$373,700
Health Insurance Reserves	\$0	\$0	\$125,600	\$244,900
Wisconsin Retirement System	\$0	\$0	\$1,400	\$2,400
4003 Transfer Oversight of Charitable Organizations and Related Entities from DSPPS to DFI	\$0	\$0	\$59,700	\$72,900
2000 Adjusted Base Funding Level	\$0	\$0	\$16,782,800	\$16,782,800
3001 Turnover Reduction	\$0	\$0	(\$243,600)	(\$243,600)
3003 Full Funding of Continuing Position Salaries and Fringe Benefits	\$0	\$0	(\$33,300)	(\$33,300)
4001 Bank Examination Resources	\$0	\$0	\$117,000	\$158,600
4002 Credit Union Examination Resources	\$0	\$0	\$117,000	\$158,600
<b>Total Expenditures</b>	<b>\$14,620,400</b>	<b>\$16,606,600</b>	<b>\$17,140,500</b>	<b>\$17,569,700</b>
<b>Closing Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Decision Item (DIN) - 2000**

**Decision Item (DIN) Title - Adjusted Base Funding Level**

**NARRATIVE**

Adjusted Base Funding Level

# Decision Item by Line

1315 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	144	Department of Financial Institutions
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	2000	Adjusted Base Funding Level

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$8,119,900	\$8,119,900
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$3,041,900	\$3,041,900
06	Supplies and Services	\$5,853,000	\$5,853,000
07	Permanent Property	\$304,500	\$304,500
08	Unalloted Reserve	\$506,500	\$506,500
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13		\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>\$17,825,800</b>	<b>\$17,825,800</b>
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	127.54	127.54
20	Unclassified Positions Authorized	9.00	9.00

# Decision Item by Numeric

## Department of Financial Institutions

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	<b>2000</b>	<b>Adjusted Base Funding Level</b>			
<b>01</b>	<b>Supervision of financial institutions, securities regulation and other functions</b>				
	21 Investor education and training fund	\$84,500	\$84,500	0.00	0.00
	23 Payday loan database and financial literacy	\$900,000	\$900,000	0.00	0.00
	29 Gifts, grants, settlements and publications	\$58,500	\$58,500	0.00	0.00
	31 General program operations	\$16,782,800	\$16,782,800	136.54	136.54
	<b>Supervision of financial institutions, securities regulation and other functions SubTotal</b>	<b>\$17,825,800</b>	<b>\$17,825,800</b>	<b>136.54</b>	<b>136.54</b>
	<b>Adjusted Base Funding Level SubTotal</b>	<b>\$17,825,800</b>	<b>\$17,825,800</b>	<b>136.54</b>	<b>136.54</b>
	<b>Agency Total</b>	<b>\$17,825,800</b>	<b>\$17,825,800</b>	<b>136.54</b>	<b>136.54</b>

# Decision Item by Fund Source

## Department of Financial Institutions

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
<b>Decision Item</b>	<b>2000</b>	<b>Adjusted Base Funding Level</b>				
	PR	S	\$17,825,800	\$17,825,800	136.54	136.54
	<b>Total</b>		<b>\$17,825,800</b>	<b>\$17,825,800</b>	<b>136.54</b>	<b>136.54</b>
<b>Agency Total</b>			<b>\$17,825,800</b>	<b>\$17,825,800</b>	<b>136.54</b>	<b>136.54</b>

**Decision Item (DIN) - 3001**

**Decision Item (DIN) Title - Turnover Reduction**

**NARRATIVE**

Standard Budget Adjustment - Turnover Reduction

# Decision Item by Line

1315 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	144	Department of Financial Institutions
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	3001	Turnover Reduction

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	(\$243,600)	(\$243,600)
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13		\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>(\$243,600)</b>	<b>(\$243,600)</b>
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

# Decision Item by Numeric

## Department of Financial Institutions

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	<b>3001</b>	<b>Turnover Reduction</b>			
<b>01</b>	<b>Supervision of financial institutions, securities regulation and other functions</b>				
	31 General program operations	(\$243,600)	(\$243,600)	0.00	0.00
	<b>Supervision of financial institutions, securities regulation and other functions SubTotal</b>	<b>(\$243,600)</b>	<b>(\$243,600)</b>	<b>0.00</b>	<b>0.00</b>
	<b>Turnover Reduction SubTotal</b>	<b>(\$243,600)</b>	<b>(\$243,600)</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>(\$243,600)</b>	<b>(\$243,600)</b>	<b>0.00</b>	<b>0.00</b>

# Decision Item by Fund Source

## Department of Financial Institutions

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
<b>Decision Item</b>	<b>3001</b>	<b>Turnover Reduction</b>				
	PR	S	(\$243,600)	(\$243,600)	0.00	0.00
	<b>Total</b>		<b>(\$243,600)</b>	<b>(\$243,600)</b>	<b>0.00</b>	<b>0.00</b>
<b>Agency Total</b>			<b>(\$243,600)</b>	<b>(\$243,600)</b>	<b>0.00</b>	<b>0.00</b>

**Decision Item (DIN) - 3003**

**Decision Item (DIN) Title - Full Funding of Continuing Position Salaries and Fringe Benefits**

**NARRATIVE**

Standard Budget Adjustment - Full Funding of Continuing Position Salaries and Fringe Benefits

# Decision Item by Line

1315 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	144	Department of Financial Institutions
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	3003	Full Funding of Continuing Position Salaries and Fringe Benefits

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	(\$158,500)	(\$158,500)
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$125,200	\$125,200
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13		\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>(\$33,300)</b>	<b>(\$33,300)</b>
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

# Decision Item by Numeric

## Department of Financial Institutions

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	<b>3003</b>	<b>Full Funding of Continuing Position Salaries and Fringe Benefits</b>			
<b>01</b>	<b>Supervision of financial institutions, securities regulation and other functions</b>				
	31 General program operations	(\$33,300)	(\$33,300)	0.00	0.00
	<b>Supervision of financial institutions, securities regulation and other functions SubTotal</b>	<b>(\$33,300)</b>	<b>(\$33,300)</b>	<b>0.00</b>	<b>0.00</b>
	<b>Full Funding of Continuing Position Salaries and Fringe Benefits SubTotal</b>	<b>(\$33,300)</b>	<b>(\$33,300)</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>(\$33,300)</b>	<b>(\$33,300)</b>	<b>0.00</b>	<b>0.00</b>

# Decision Item by Fund Source

## Department of Financial Institutions

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
<b>Decision Item</b>	<b>3003</b>	<b>Full Funding of Continuing Position Salaries and Fringe Benefits</b>				
	PR	S	(\$33,300)	(\$33,300)	0.00	0.00
	<b>Total</b>		<b>(\$33,300)</b>	<b>(\$33,300)</b>	<b>0.00</b>	<b>0.00</b>
<b>Agency Total</b>			<b>(\$33,300)</b>	<b>(\$33,300)</b>	<b>0.00</b>	<b>0.00</b>

**Decision Item (DIN) - 3010**

**Decision Item (DIN) Title - Full Funding of Lease and Directed Moves Costs**

**NARRATIVE**

Standard Budget Adjustment - Full Funding of Lease and Directed Moves Costs

# Decision Item by Line

1315 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	144	Department of Financial Institutions
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	3010	Full Funding of Lease and Directed Moves Costs

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$28,900	\$52,700
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13		\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>\$28,900</b>	<b>\$52,700</b>
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

# Decision Item by Numeric

## Department of Financial Institutions

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	<b>3010</b>	<b>Full Funding of Lease and Directed Moves Costs</b>			
<b>01</b>	<b>Supervision of financial institutions, securities regulation and other functions</b>				
	31 General program operations	\$28,900	\$52,700	0.00	0.00
	<b>Supervision of financial institutions, securities regulation and other functions SubTotal</b>	<b>\$28,900</b>	<b>\$52,700</b>	<b>0.00</b>	<b>0.00</b>
	<b>Full Funding of Lease and Directed Moves Costs SubTotal</b>	<b>\$28,900</b>	<b>\$52,700</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>\$28,900</b>	<b>\$52,700</b>	<b>0.00</b>	<b>0.00</b>

# Decision Item by Fund Source

## Department of Financial Institutions

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
<b>Decision Item</b>	<b>3010</b>	<b>Full Funding of Lease and Directed Moves Costs</b>				
	PR	S	\$28,900	\$52,700	0.00	0.00
	<b>Total</b>		<b>\$28,900</b>	<b>\$52,700</b>	<b>0.00</b>	<b>0.00</b>
<b>Agency Total</b>			<b>\$28,900</b>	<b>\$52,700</b>	<b>0.00</b>	<b>0.00</b>

**Decision Item (DIN) - 4001**

**Decision Item (DIN) Title - Bank Examination Resources**

**NARRATIVE**

The Department of Financial Institutions is requesting 2.0 financial examiner positions with \$117,000 program revenue in FY 2014 and \$158,600 in FY 2015 to meet statutory and safety and soundness examination requirements to provide adequate oversight of the banking industry. These positions are funded through fees paid by the regulated financial institutions. An additional 12% is credited to the General Fund.

## Background

The Division of Banking in the Department of Financial Institutions is required by Wisconsin law, under Wis. Stats. 220.04(1)(a) to conduct examinations of state-chartered banks every 18 months. In order to mitigate potentially serious issues, large banks and banks identified as facing greater financial challenges should be examined at least every 12 months, according to standards of the Conference of State Bank Supervisors (CSBS), the organization of state banking regulators.

Currently, the Division has 25 financial examiners to conduct the examinations of 219 state banks, trusts, and savings institutions with assets of over \$50 billion. The Department is permitted to conduct alternate examinations with federal counterparts, primarily the Federal Deposit Insurance Corporation (FDIC).

## Analysis

While challenging economic times have created an especially acute situation related to examination resources, in general, the Division lacks sufficient staffing to provide adequate supervisory oversight to protect the safety and soundness of the state's banking institutions.

Both of the largest industry trade organizations, the Wisconsin Bankers Association and Community Bankers of Wisconsin, have indicated support for additional examination resources. Additionally, in the past year, the Division has held several roundtables throughout the state with bank industry representatives who expressed universal support for additional staffing.

According to data from CSBS, Wisconsin ranks 49<sup>th</sup> out of 50 states for the number of bank examiners per number of banks and 47<sup>th</sup> out of 50 for the number of examiners per total assets. Each state banking regulator is required to conduct examinations using the same examination manuals, policies, and procedures. In order for states to be accredited by CSBS they must meet the standard requirements. According to the CSBS Accreditation Program Best Practices, a banking department should have sufficient trained examiners to perform independent examinations of at least 50% of financial institutions regulated.

While the Division is meeting the performance measure of examining 40% of state-chartered banks to meet the 18-month statutory requirements, the number and size of the banks requiring a 12-month schedule has increased such that these institutions now require half of the Division's examination resources. In recent years, as assets grew and the complexity of exams increased, individual examinations are taking more time to complete than in the past. As such, the Division has become more dependent on the FDIC to assist with the examination schedule. However, as Wisconsin banking institutions have experienced challenges, so have banks in other states. As issues occur throughout the nation, FDIC examiners have been pulled off exams as they are re-prioritized to assist with resolving situations or bank closures in other states. It is critical that the state's examination schedule and safety of Wisconsin banks not be jeopardized because of the reassignment of FDIC resources outside of state control.

To the extent possible, the Division has implemented procedures to try to maintain the exam schedule by relying more on off-site monitoring through analyzing quarterly call reports. When feasible, they have reduced the scope of selected exams, reducing the amount of loans reviewed,

for instance. However, these are not approaches to be performed generally or continued long-term as they may not detect problems timely, resulting in greater issues.

Because of the staffing issues, the Division is not getting to individual institutions soon enough to identify problems early enough to prevent issues from arising. Instead of recognizing and correcting loan issues early, problems may go undetected and become more difficult to correct, thereby causing hardship to the local economy by reducing credit availability, or potentially resulting in a bank failure. There are also advantages to having examinations conducted by state examiners as they are more knowledgeable about the local economies and can better respond to local issues.

Request Summary

In order to address the examination resource issues, the Department is requesting 2.0 FTE financial examiner positions. Examination costs are fully paid for by the industry, with 12% of all revenue directed to the general fund. The industry is fully in support of an increase in examination resources.

Expenditures:	1 <sup>st</sup> Year	2 <sup>nd</sup> Year
Salaries (2.0 FTE Financial Examiners)	\$ 52,900	\$ 75,600
Fringe Benefits (39.72%)	21,000	30,000
Supplies and Services:		
Business Travel (\$2,000/month ea)	\$36,000	\$ 48,000
Training (\$600/year)	1,200	1,200
Variable Overhead (\$160/month)	2,900	3,800
One-time new employee set-up	3,000	
Total Supplies and Services	\$ 43,100	\$ 53,000
Total Request	\$117,000	\$158,600
Program Revenue	\$133,000	\$180,200
Amount credited to General Fund	\$ 16,500	\$ 21,600

# Decision Item by Line

1315 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	144	Department of Financial Institutions
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	4001	Bank Examination Resources

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$52,900	\$75,600
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$21,000	\$30,000
06	Supplies and Services	\$43,100	\$53,000
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13		\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>\$117,000</b>	<b>\$158,600</b>
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	2.00	2.00
20	Unclassified Positions Authorized	0.00	0.00

# Decision Item by Numeric

## Department of Financial Institutions

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	<b>4001</b>	<b>Bank Examination Resources</b>			
<b>01</b>	<b>Supervision of financial institutions, securities regulation and other functions</b>				
	31 General program operations	\$117,000	\$158,600	2.00	2.00
	<b>Supervision of financial institutions, securities regulation and other functions SubTotal</b>	<b>\$117,000</b>	<b>\$158,600</b>	<b>2.00</b>	<b>2.00</b>
	<b>Bank Examination Resources SubTotal</b>	<b>\$117,000</b>	<b>\$158,600</b>	<b>2.00</b>	<b>2.00</b>
	<b>Agency Total</b>	<b>\$117,000</b>	<b>\$158,600</b>	<b>2.00</b>	<b>2.00</b>

# Decision Item by Fund Source

## Department of Financial Institutions

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
<b>Decision Item</b>	<b>4001</b>	<b>Bank Examination Resources</b>				
	PR	S	\$117,000	\$158,600	2.00	2.00
	<b>Total</b>		<b>\$117,000</b>	<b>\$158,600</b>	<b>2.00</b>	<b>2.00</b>
<b>Agency Total</b>			<b>\$117,000</b>	<b>\$158,600</b>	<b>2.00</b>	<b>2.00</b>

**Decision Item (DIN) - 4002**

**Decision Item (DIN) Title - Credit Union Examination Resources**

**NARRATIVE**

The Department of Financial Institutions is requesting 2.0 financial examiner positions with \$117,000 program revenue expenditure authority in FY 14 and \$158,600 in FY 15 to meet statutory examination requirements and provide adequate oversight of the Wisconsin credit union industry. These positions are funded through fees paid by the credit unions. An additional 12% is credited to the General Fund.

## Background

The Office of Credit Unions is required by statute to conduct safety and soundness examinations of each state-chartered credit union at least once every 18 months. Credit unions identified as needing greater supervision are to be examined every 12 months. There are currently 194 state-chartered credit unions with over \$23 billion in assets. While the number of credit unions has decreased, primarily due to mergers, the assets and complexity of credit unions continue to increase. Wisconsin has the 2<sup>nd</sup> highest number of state-chartered credit unions, with the 7<sup>th</sup> highest volume of assets in the nation, but only 15 examiners to conduct these exams.

An examiner position was added in the last biennial budget and this position has provided assistance, but the Office continues to face challenges in meeting examination schedules. Even fully staffed, the Department is running at a 22-month schedule. This is especially problematic when the financial industry is going through difficult times as well as expanding services, requiring additional regulatory oversight. The examination schedule continues to be vulnerable to turnover and retirements. The time to hire and train an examiner to be fully prepared for conducting an examination is, at minimum, a year.

## Analysis

The Office was reaccredited in November 2011 by the National Association of State Credit Union Supervisors (NASCUS). At that time, it was noted that examinations were conducted outside the statutory requirements and it was recommended that the agency continue its efforts to get in compliance with the statutes. The frequency of examinations was rated low, which indicated that significant improvement is necessary. In addition, the office is involved with the accreditation program and has had group meetings with other state regulators. It has been noted that no other states are outside the exam cycle and they are able to meet their statutory requirements for examinations (generally 12-18 months). Most states have more examiners per credit unions (Wisconsin ranked 40/45) and for examiners per assets (Wisconsin ranked 32/45).

It has been increasingly difficult to meet the examination schedule due to an increase in size of credit unions, the greater complexity of their operations, new examination requirements and the stagnant economy causing problems in the financial industry.

Credit unions continue to grow and add sophisticated services for their members. These include new loan and deposit products, internet banking products and electronic financial services, and other services that provide member convenience. As credit unions become more sophisticated, additional examination time is necessary to examine the information technology areas in credit unions to ensure that the security program is adequate and member data is secure and electronic services are monitored to mitigate risk. Additional areas of review utilizing technology include risk assessments, automated clearing house (ACH) and wire transfers. A review is also completed of the credit union's preparedness for dealing with a natural disaster, a breach of member data or any other crisis that could affect a credit union and its reputation. Examiners evaluate contingency plans in the event of an unplanned event.

As new products and complexities have been added, more resources are required to examine the credit unions to ensure they are safe and secure for the state's citizens to do business with and are in compliance with regulatory rules and requirements. Credit unions continue to expand their

loan portfolios with more real estate loans, member business loans, indirect loans, and participation loans. Examiners must also now evaluate and examine loan modifications and troubled debt restructures and the reporting of such. Each of these loan products is complex and requires adequate policies and procedures by the credit union. The loan reviews require a significant amount of examiner knowledge and training, examination time and resources.

In recent years, the number of credit unions, number of business loans and types of business loans has increased dramatically. Business loans are a large asset class that can make up a big part of the credit union's balance sheet and if not properly managed, can cause significant loan losses. An adequate review of business lending requires a significant amount of expertise and time. Few examiners have this expertise and those who do are being stretched. Because the Office is behind in the exam cycle, it hasn't been possible for all examiners to get the necessary training to expand their knowledge in this area. Training in business lending and other areas is critical to examiner development and advancement as well as assisting in reducing loan losses.

There are additional examination requirements that did not previously exist, including compliance with certain federal regulations. In addition, exam time is now being used to review areas such as asset-liability management; vendor management; concentration risk; strategic/business planning and seven risk areas (interest rate risk, credit risk, strategic risk, liquidity risk, transaction risk, reputation risk and compliance risk). The review of each of these items requires more exam time, resources and expertise.

The Office of Credit Unions also devotes a significant amount of time and effort to closely supervise and work with credit unions that have financial and operational problems. The financial industry is facing difficult times with credit and economic issues affecting all financial institutions. In the past, it was the smaller credit unions that tended to have more financial and operational difficulties. However, there has been an increase in the number of larger credit unions that have become troubled, with far greater ramifications and risk to the insurance fund. The oversight of problem credit unions is intensive and uses resources at a higher rate than the normal examination schedule would dictate.

It is imperative that all credit unions and related entities are examined and monitored on a consistent basis. When the time between examinations and/or reviews is extended to longer than 18 months, there is a greater likelihood that the safety and soundness of a credit union could deteriorate and cause problems to the point of failure. Examinations identify and address risks associated with new management practices, management changes, technology improvements, rapid increases in assets and changes in asset quality and net worth levels.

The Office believes that two additional examiners will provide the necessary level of resources to support the examination schedule to reduce the risk of credit union losses and to ensure the safety and soundness of all Wisconsin state-chartered credit unions. In addition, these additional resources will enable continuous examiner training and development so examiners can keep up with the ever-changing financial sector.

The Credit Union Review Board and members of the League of Wisconsin Credit Unions have expressed support for these additional resources.

Request Summary

	1 <sup>st</sup> Year	2 <sup>nd</sup> Year
Expenditures:		
Salaries (2 Financial Examiners)	\$ 52,900	\$ 75,600
Fringe Benefits (39.72%)	21,000	30,000
Supplies and Services:		
Business Travel (\$2,000/month each)	\$ 36,000	\$ 48,000
Training (\$600/year)	1,200	1,200
Variable Overhead (\$160/month)	2,900	3,800
One-time new staff set-up	3,000	
Total Supplies and Services	\$ 43,100	\$ 53,000
Total Request	\$117,000	\$158,600
Program Revenue	\$133,000	\$180,200
Amount credited to General Fund	\$ 16,000	\$ 21,600

# Decision Item by Line

1315 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	144	Department of Financial Institutions
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	4002	Credit Union Examination Resources

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$52,900	\$75,600
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$21,000	\$30,000
06	Supplies and Services	\$43,100	\$53,000
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13		\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>\$117,000</b>	<b>\$158,600</b>
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	2.00	2.00
20	Unclassified Positions Authorized	0.00	0.00

# Decision Item by Numeric

## Department of Financial Institutions

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	<b>4002</b>	<b>Credit Union Examination Resources</b>			
<b>01</b>	<b>Supervision of financial institutions, securities regulation and other functions</b>				
	31 General program operations	\$117,000	\$158,600	2.00	2.00
	<b>Supervision of financial institutions, securities regulation and other functions SubTotal</b>	<b>\$117,000</b>	<b>\$158,600</b>	<b>2.00</b>	<b>2.00</b>
	<b>Credit Union Examination Resources SubTotal</b>	<b>\$117,000</b>	<b>\$158,600</b>	<b>2.00</b>	<b>2.00</b>
	<b>Agency Total</b>	<b>\$117,000</b>	<b>\$158,600</b>	<b>2.00</b>	<b>2.00</b>

# Decision Item by Fund Source

## Department of Financial Institutions

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
<b>Decision Item</b>	<b>4002</b>	<b>Credit Union Examination Resources</b>				
	PR	S	\$117,000	\$158,600	2.00	2.00
	<b>Total</b>		<b>\$117,000</b>	<b>\$158,600</b>	<b>2.00</b>	<b>2.00</b>
<b>Agency Total</b>			<b>\$117,000</b>	<b>\$158,600</b>	<b>2.00</b>	<b>2.00</b>

**Decision Item (DIN) - 4003**

**Decision Item (DIN) Title - Transfer Oversight of Charitable Organizations and Related Entities from DSPS to DFI**

**NARRATIVE**

In conjunction with the Department of Safety and Professional Services (DSPS), the Department requests the transfer of all responsibilities for registration and oversight of charitable organizations, professional fundraisers, and fundraising counsels from DSPS to DFI. This request includes 1.0 FTE and \$59,700 PR in FY 2014 and \$72,900 PR in FY 2015.

### Background

Under current law, Chapter 440, Subchapter IV, Wis. Stats., DSPS is responsible for the regulation of charitable organizations, professional fundraisers, and fundraising counsels. Both DFI and DSPS agree that it is appropriate for the registration and oversight of these entities be transferred to DFI.

As defined by statutes, charitable organizations are those organizations described in 501(c)(3) of the Internal Revenue Code and exempt from taxation under section 501(a) of the Internal Revenue Code as well as a person who is or purports to be established for a charitable purpose. A professional fundraiser is a person who, for compensation, solicits contributions in Wisconsin for a charitable organization and a fundraising counsel is a person who, for compensation, plans, manages, advises, consults or prepares material for solicitation in Wisconsin for a charitable organization. According to DSPS, there are approximately 6,600 active charitable organizations in Wisconsin, 97 professional fundraisers and one fundraising counsel.

Charitable organizations register annually, providing financial reports with their registration documents.

### Analysis

Charitable organizations generally file as non-stock corporations with DFI. Transferring the registration functions for these entities to DFI from DSPS will streamline the business activity for these organizations, reducing the number of state agency contacts required. DFI is a logical host for these functions as the Department has expertise in business filings as well as financial reporting requirements. These charitable organizations, professional fundraisers and fundraising counsels pay registration fees as currently established by DSPS. With the transfer to DFI, these fees would be established by the Department.

As part of the transition, the Department will review statutory requirements, including DSPS proposals to modernize language and procedures.

### Request Summary

According to DSPS, administration of this program requires approximately 1.0 FTE plus 1.5 LTE's during the renewal period. The Department is requesting the transfer of 1.0 FTE and funding for these positions to ensure continued service to the licensed organizations.

	1st Year	2nd Year
1.0 FTE License/Permit Program Associate	\$ 31,300	\$41,800
@ \$3,480/monthFringe Benefits @ 39.72%	12,400	16,600
One-time employee set-up costs	2,000	
Variable supplies & services @ \$160/mo	1,400	1,900
LTE 1.5 positions x \$15.00/hr x 520 hrs	11,700	11,700
LTE FB @ 7.65%	900	900
Totals	\$ 59,700	\$72,900

According to DSPS, there are approximately 6,600 registered Charitable Organizations.

Estimated revenue from these Organizations to DSPS is approximately \$356,400. The 97 Professional Fundraisers pay an estimated \$10,400 in fees to DSPS.

Any fees received by DFI over expenditures are lapsed to the general fund.

Because registration renewals occur in July, the Department proposes an effective date of October 1 for this transfer to reduce confusion during the first year of the transition.

# Decision Item by Line

1315 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	144	Department of Financial Institutions
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	4003	Transfer Oversight of Charitable Organizations and Related Entities from DSPS to DFI

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$31,300	\$41,800
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$11,700	\$11,700
05	Fringe Benefits	\$13,300	\$17,500
06	Supplies and Services	\$3,400	\$1,900
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13		\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>\$59,700</b>	<b>\$72,900</b>
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	1.00	1.00
20	Unclassified Positions Authorized	0.00	0.00

# Decision Item by Numeric

## Department of Financial Institutions

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	<b>4003</b>	<b>Transfer Oversight of Charitable Organizations and Related Entities from DSPS to DFI</b>			
<b>01</b>	<b>Supervision of financial institutions, securities regulation and other functions</b>				
	31 General program operations	\$59,700	\$72,900	1.00	1.00
	<b>Supervision of financial institutions, securities regulation and other functions SubTotal</b>	<b>\$59,700</b>	<b>\$72,900</b>	<b>1.00</b>	<b>1.00</b>
	<b>Transfer Oversight of Charitable Organizations and Related Entities from DSPS to DFI SubTotal</b>	<b>\$59,700</b>	<b>\$72,900</b>	<b>1.00</b>	<b>1.00</b>
	<b>Agency Total</b>	<b>\$59,700</b>	<b>\$72,900</b>	<b>1.00</b>	<b>1.00</b>

# Decision Item by Fund Source

## Department of Financial Institutions

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
<b>Decision Item</b>	<b>4003</b>	<b>Transfer Oversight of Charitable Organizations and Related Entities from DSPS to DFI</b>				
	PR	S	\$59,700	\$72,900	1.00	1.00
	<b>Total</b>		<b>\$59,700</b>	<b>\$72,900</b>	<b>1.00</b>	<b>1.00</b>
<b>Agency Total</b>			<b>\$59,700</b>	<b>\$72,900</b>	<b>1.00</b>	<b>1.00</b>

**Decision Item (DIN) - 4004**

**Decision Item (DIN) Title - Transfer Oversight of Professional Employer Organizations DSPS to DFI**

**NARRATIVE**

In conjunction with the Department of Safety and Professional Services (DSPS), the Department requests the transfer of all responsibilities for registration and oversight of Professional Employer Organizations (PEOs) and Professional Employer Groups (PEGs) from DSPS to DFI.

### Background

Professional Employer Organizations are organizations that provide on-going human resource services such as payroll, employee benefits, and workers compensation to clients in this state. A professional employer group is defined as two or more professional employer organizations that are controlled by the same person.

Under current law, Chapter 461, Wis. Stats., DSPS is responsible for registration and oversight of PEOs and PEGs. Both DFI and DSPS agree that it is appropriate for the registration and oversight of these entities be transferred to DFI.

### Analysis

PEOs and PEGs have a financial reporting requirement for both initial registration and renewals. These reports must be reviewed to ensure financial capability of the registrant. Because of the requirement to review this financial information, both DSPS and DFI agree that this group of customers would be better served by DFI oversight as DFI has more expertise in reviewing financial documents.

These organizations pay fees currently established by DSPS. With the transfer to DFI, these fees would be established by the Department.

As part of the transition, the Department would review statutory requirements, including DSPS proposals to modernize language and procedures.

### Request Summary

According to DSPS, administration of this program is not significant, given the number of registrations. They estimate 83 active professional employer licenses. With an annual renewal fee of \$107, revenue is approximately \$8,900.

Because registration renewals occur in July, the Department proposes an effective date of October 1 for this transfer to reduce confusion during the first year of the transition.

# Decision Item by Line

1315 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	144	Department of Financial Institutions
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	4004	Transfer Oversight of Professional Employer Organizations DSPTS to DFI

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13		\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>\$0</b>	<b>\$0</b>
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

# Decision Item by Numeric

## Department of Financial Institutions

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	<b>4004</b>	<b>Transfer Oversight of Professional Employer Organizations DSPS to DFI</b>			
<b>01</b>	<b>Supervision of financial institutions, securities regulation and other functions</b>				
	31 General program operations	\$0	\$0	0.00	0.00
	<b>Supervision of financial institutions, securities regulation and other functions SubTotal</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>0.00</b>
	<b>Transfer Oversight of Professional Employer Organizations DSPS to DFI SubTotal</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>0.00</b>

# Decision Item by Fund Source

## Department of Financial Institutions

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
Decision Item	4004	Transfer Oversight of Professional Employer Organizations DSPS to DFI				
	PR	S	\$0	\$0	0.00	0.00
	<b>Total</b>		<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>0.00</b>
<b>Agency Total</b>			<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>0.00</b>

**Decision Item (DIN) - 4005**

**Decision Item (DIN) Title - Corporations Efficiencies**

**NARRATIVE**

The Department requests minor changes in legislation to provide greater efficiencies in the administration of corporate records.

### Administrative Dissolution Program

When a corporation or limited liability company voluntarily dissolves, it files with the Department. DFI also has the authority to initiate an administrative dissolution of a corporation or limited liability company. In order to accomplish an administrative dissolution, DFI must follow a number of steps for notification to the corporation or LLC of its dissolution. The Department is required to give two written notices to the entity. If the notices are returned undeliverable, the Department must publish a notice in the official state newspaper which includes a list of the entity names that have been returned. In the previous legislative session, changes were made to reduce the number of published notices from two notices to one.

The Department is requesting a change to the notification requirement to post notice on the Department's website instead of publishing in the state's official newspaper. In the transition, the Department would publish monthly notices in the official state newspaper informing the public that these administrative dissolution notices are posted on DFI's website.

This change would maintain public access to information and reduce costs by approximately \$30,000.

### Update Chapter 181 Nonstock Corporations Reporting Requirements

The Department requests that reporting and notification requirements for non-stock and not-for-profits align with those of business corporations and limited liability companies.

Business entities are required to file annual reports with the Department to maintain their status and to update information on file. Currently, business corporations (Chapter 180) and limited liability companies (Chapter 183) are sent a postcard notification informing them of their renewal requirements with directions on how to complete their annual report. Current statutes for nonstock corporations require the Department mail a copy of the report form to the business entity. Over 90% of businesses file their annual reports electronically and do not use the mailed report form. Filers may request that a paper form be sent to them. It is estimated that this change would result in cost savings of approximately \$4,400 in postage as well as provide for greater efficiencies in the corporations bureau.

# Decision Item by Line

1315 Biennial Budget

	<b>CODES</b>	<b>TITLES</b>
<b>DEPARTMENT</b>	144	Department of Financial Institutions
	<b>CODES</b>	<b>TITLES</b>
<b>DECISION ITEM</b>	4005	Corporations Efficiencies

Expenditure items		1st Year Cost	2nd Year Cost
01	Permanent Position Salaries	\$0	\$0
02	Turnover	\$0	\$0
03	Project Position Salaries	\$0	\$0
04	LTE/Misc. Salaries	\$0	\$0
05	Fringe Benefits	\$0	\$0
06	Supplies and Services	\$0	\$0
07	Permanent Property	\$0	\$0
08	Unalloted Reserve	\$0	\$0
09	Aids to Individuals Organizations	\$0	\$0
10	Local Assistance	\$0	\$0
11	One-time Financing	\$0	\$0
12	Debt Service	\$0	\$0
13		\$0	\$0
14		\$0	\$0
15		\$0	\$0
16		\$0	\$0
<b>17</b>	<b>Total Cost</b>	<b>\$0</b>	<b>\$0</b>
18	Project Positions Authorized	0.00	0.00
19	Classified Positions Authorized	0.00	0.00
20	Unclassified Positions Authorized	0.00	0.00

# Decision Item by Numeric

## Department of Financial Institutions

Program	Decision Item/Numeric	1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
	<b>4005</b>	<b>Corporations Efficiencies</b>			
<b>01</b>	<b>Supervision of financial institutions, securities regulation and other functions</b>				
	31 General program operations	\$0	\$0	0.00	0.00
	<b>Supervision of financial institutions, securities regulation and other functions SubTotal</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>0.00</b>
	<b>Corporations Efficiencies SubTotal</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>0.00</b>
	<b>Agency Total</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>0.00</b>

# Decision Item by Fund Source

## Department of Financial Institutions

	Source of Funds		1st Year Total	2nd Year Total	1st Year FTE	2nd Year FTE
<b>Decision Item</b>	<b>4005</b>	<b>Corporations Efficiencies</b>				
	PR	S	\$0	\$0	0.00	0.00
	<b>Total</b>		<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>0.00</b>
<b>Agency Total</b>			<b>\$0</b>	<b>\$0</b>	<b>0.00</b>	<b>0.00</b>